

# **One Arizona Executive Initiatives for FY 2008 Budget**

## **EDUCATION**

### **Teacher Base Pay**

The Executive continues to support teachers and the teaching profession by including several recommendations that serve to recruit and retain quality teachers to Arizona's schools:

- Establishes a minimum base salary of \$33,000 per year and provides additional funding to increase the base salary of teachers at or above the minimum (\$50 million).
- Holds teachers and school districts harmless for the 0.5% retirement increase (\$18.8 million).

### **Children's Healthcare Initiative**

This initiative would provide all children in Arizona with the opportunity to have health insurance. The budget includes \$6 million to reach out to already-eligible-for-KidsCare children to ensure that their families are aware of this opportunity and to expand the current federally-matched program from 200% to 300% of the Federal Poverty Level (FPL).

### **Continuing Teacher Education & Teacher Performance Pay**

The Executive recommends \$4 million in FY 2008 to the State Board of Education to design a statewide system for continuing teacher education and performance pay.

### **Master Teacher**

Master Teacher is a state-funded teacher-mentoring program designed to retain new teachers in the profession and provide leadership opportunities for experienced teachers. The Executive recommends \$4 million in FY 2008 from the General Fund to the State Board of Education for distribution to the K-12 Center at NAU to continue expanding the Master Teacher program statewide through regional partnerships.

### **Convert Testing Program (AIMS) – End-of-Course Testing/Technology Based Exams**

The Executive recommends \$8.5 million from the General Fund in FY 2008 to convert the existing testing system (AIMS) to end-of-course testing and from paper tests to computer tests. The new testing system will allow prompt test results that will enable schools to provide immediate help to students who are underperforming.

### **Math & Science Initiative**

The Executive recommendation includes \$15.5 million to build capacity in math and science education by:

- \$10 million to provide assistance for existing teachers to become highly qualified in math or science by increasing base pay for highly qualified math and science teachers currently teaching in Arizona schools
- \$3 million to provide incentives for university students to become teachers in math and science
- \$2.5 million to award grants to school districts to establish innovative math and science programs and academies

## **Phoenix Biomedical Campus**

Arizona has a shortage of physicians, pharmacists, and many technical and allied health professionals. To address this issue, the FY 2008 Executive Budget includes \$25.0 million to support expanding the capacity of the biomedical education and research programs of the Arizona university system. The recommended resources provide funding for the following:

- \$6.0 million for the University of Arizona College of Medicine –Phoenix Program to expand enrollment capacity and graduate more physicians.
- \$4.0 million for Northern Arizona University to expand health professions programs in Flagstaff and throughout the State.
- \$2.0 million for Arizona State University to increase the teaching capacity of the Biomedical Informatics program.
- \$1.5 million for the University of Arizona College of Pharmacy to start a 4-year doctor of Pharmacy program in Phoenix.
- \$1.0 million for the University of Arizona Telemedicine Program to implement a program in the College of Medicine-Phoenix Program using telemedicine for interdisciplinary education to medical students.
- \$10.5 million split evenly between Arizona State University and the University of Arizona to cover the costs of programming, conceptual, and schematic design for the ABC 2 and Education buildings (one-time).

## **Retention- Student and Faculty**

The Executive recommendation provides \$29.8 million to the universities to increase student and faculty retention. These resources, combined with the Executive's recommended 3.5% increase in employee pay, will provide the universities funding to increase stipends provided to faculty and graduate teaching assistants and associates in order to attract and retain the best faculty and brightest graduate students.

Recruiting and retaining key faculty is crucial for the universities to achieve more course availability and reduce class sizes. By doing this and by adding more advisors, the universities can improve student retention rates. Successfully improving student retention rates ultimately reduces time to get a degree and increases graduation rates. With this, the outcome will be more students graduating that are well-prepared to enter the new economy, and build a more sustained capacity to grow the State's resources.

## **Financial Aid**

The Arizona Financial Aid Trust (AFAT) is used to provide immediate aid to students with verifiable financial needs, assist students who by virtue of special circumstances present a unique need for financial aid, and to create an endowment for future financial aid. A.R.S. § 15-1642 requires the State to provide two dollars for every dollar raised in actual student fees.

The Executive recommendation includes \$6.3 million for the Arizona Financial Aid Trust. Out of this amount, \$2.9 million bring the State funding to the statutory formula by providing a two to one ratio of State funding to student fees. The remaining \$3.4 million are not part of the statutory formula but are recommended to increase the State's support to AFAT.

## **College of Construction, Arizona State University**

The Executive recommends \$1.5 million debt service payments on \$20 million in new 15-year Certificates of Participation (COPs) to support designing and building the Arizona State University (ASU) College of Construction. The recommended funding is the State's share in this project. Other public and private endowment entities will contribute at least another \$20 million to complement this

legislative appropriation and establish the new College of Construction. The college will aim at improving the productivity and cost effectiveness of the design and construction industries, and will mitigate the current skilled-labor shortage and enable our local universities to educate and train the future managers of construction.

### **Research Buildings**

Pursuant to Laws 2003, Chapter 267 (HB 2529), the Executive Budget provides funding for the universities for lease-purchase capital financing for research infrastructure projects. The legislation provides continuing year-to-year General Fund appropriations starting in FY 2008 and ending in FY 2031, and allocates funding as follows:

- \$14,472,000 to Arizona State University
- \$14,253,000 to the University of Arizona
- \$5,900,000 to Northern Arizona University

## **FOUNDATION**

### **Innovative Financing - Highway Construction**

The Executive recommendation includes \$500 million in bond financing which creates more than \$400 million in net new funds available to accelerate highway construction by expanding bond maturity limit from 20 to 30 years. Increased population growth and geographic dispersion require more strategic expansion of our transportation system capacity and more effective solutions. Acceleration and strategic expansion of our system capacity and other solutions are needed to address our growing mobility needs. Present and future traffic congestion cannot be relieved without significant investment in the transportation infrastructure and ways of managing and maintaining such public assets. Cooperative efforts are needed to ensure that additional financing measures be approved in order to speed up highway construction projects and help address transportation needs in the state.

### **New School Construction, School Facilities Board**

The Executive recommends \$407.7 million for statewide construction of new schools to be financed through a lease-to-own financing mechanism. These monies will be used to build approximately 29 elementary and middle schools the average size of 750 students and 7 high schools the average size of 1,500 students. The lease-to-own mechanism will ensure adequate funding be available to meet construction needs of eligible school districts, provide capital resources for Full-Day Kindergarten, and implement LEED (Leadership in Energy Efficient Design) or other Board approved energy and environmental design standards in new school construction projects.

### **Water Protection Fund**

The Executive recommends \$4 million from the General Fund for the Arizona Water Protection Fund grant program in FY 2008 and FY 2009. Combined with the additional \$1 million from water banking fees, the Water Protection Fund will have at least \$5 million in available revenues in FY 2008. A.R.S. § 45-2112 requires an annual appropriation of up to \$5 million to protect Arizona rivers, streams, and wildlife in riparian habitats. Session law (most recently, Laws 2006, Chapter 349) has suspended this appropriation since FY 2004. The Water Protection Fund grant program is a vital source of funds to public and private local entities to mitigate the effects of severe drought conditions that put river habitats in danger.

### **Border Security Programs**

The State has made a considerable commitment of funds for Border Security. State funding in FY 2007 is roughly \$200 million for such priorities as: Department of Public Safety border-related operations, auto theft enforcement, ports-of-entry enforcement, and incarceration. State agencies are also expanding activities of the Auto Theft and Fraudulent Identification task forces, expanding the use of automated license plate readers, expanding GIITEM gang and immigration task force, and modernizing crimes labs. The Executive recommends expanding DPS border security initiatives by about \$5 million and additional funding for inspectors to monitor cross-boundary hazardous waste shipments from Mexico and for the operation of the Hazardous Air Emergency Response.

In addition, Arizona's share of FY 2007 federal funding for border security totaled about \$1.3 billion, of which \$600 million was a new increase this year for: additional border patrol agents; additional assistant U.S. Attorneys and immigration judges; National Guard units at the border; border radar and other technology; unmanned aerial vehicles and helicopters; additional Immigration Enforcement detention beds; joint immigration and border control operations among federal, State, local and tribal law enforcement; and additional infrastructure, including border fences, vehicle barriers and infrared cameras.

### **New Forensic Hospital, Department of Health Services**

The current Arizona State Hospital wing, designated as the Forensic Unit, is housed in a 50-year old building that no longer meets the needs or standards for patients and staff in a healthcare facility. Due to the age and condition of the current structure, it is not cost-effective to renovate the building as a forensic unit that would meet security and health standards. The Executive recommends funding for demolition and construction of a new Forensic Unit at ASH to provide functional and secured facility for forensic patients and their health providers. The project is estimated at \$32.2 million.

### **Capitol Mall Modernization and Renovation, Department of Administration**

The Executive recommends \$40 million to begin implementing core components identified in the Capitol Mall Centennial Plan, including the renovation and modernization of the old State health laboratory that is presently not fully utilized. Additionally, funding is recommended to design and develop the core area of the Capitol Mall to align it with Arizona's history and its vision for the future. This initiative reflects efforts from various public and private entities. As envisioned in the Plan, the Capitol Mall will feature a series of sustainable connective infrastructures that make public spaces and services more accessible.

### **Graduate Medical Education Program**

The Executive recommendations include \$3 million increase in state funds matched by \$5.9 million in federal funds to expand the Graduate Medical Education Program, making a total of \$44 million in FY 2008 available to support residency slots in Arizona hospitals.

## **INNOVATION**

### **Science Foundation Arizona (SFA)**

The budget includes \$35 million to strengthen Science Foundation Arizona, to enhance Arizona's position in the global economy by investing in science-based research and innovation in areas beneficial to Arizona's long-term competitiveness and quality of life. The funds are to be used to attract world-class researchers to Arizona and support research into new products and technologies that can be commercialized and brought to the market.

This new economy is fueled by innovation, research, advances in science and technology, and skilled creative workers. The SFA is going to be an excellent vehicle within the bio-science roadmap to build and strengthen medical, scientific and engineering research. This will pave the way to increased investment and job creation in the State.

### **Foreign Direct Investment Program (FDI)**

The Executive recommends \$1.2 million to expand Arizona's global efforts and strengthen Foreign Direct Investment. The FDI program will encourage public and private partners to coordinate FDI activities, provide cooperative marketing dollars for new FDI programs, and leverage existing funds. New FDI-focused programs will be launched in Canada, Germany and China to promote business attraction and investment in Arizona, and current FDI programs in Japan, the United Kingdom and Mexico will continue to be enhanced.

### **Economic Growth Alliance**

The Executive recommends \$1.2 million to develop, implement and support global economic development strategies. The recommendation supports statewide, domestic and international efforts to promote the Department of Commerce as a Growth Alliance for private-public partnership in the areas of economic planning, business and community development, and infrastructure finance. The Alliance will consist of diverse economic development expertise with the charge to reach out, align and expand technical and business resources to help communities, investors and entrepreneurs. The Growth Alliance will also serve as a clearinghouse for best practices on a variety of planning topics.

### **Greater Arizona Development Authority Enhancement**

The Budget includes \$5 million in additional capitalization to the Greater Arizona Development Authority (GADA) to address communities' infrastructure needs. The recommended amount will enable local communities and tribal governments to finance public infrastructure projects, accelerate project development, and lower financing costs through the Authority's technical and financial assistance.

### **CEDC Fund – Funding Shift and Restoration**

The recommendation begins the process of restoring Arizona's innovation investment fund by shifting (\$1.3 million) and (7.0 FTE) from the Commerce and Economic Development Commission (CEDC) Fund to the General Fund. The Department is at a competitive disadvantage when recruiting new companies because the Commerce and Economic Development Commission is unable to fulfill its role as the strategic "deal closing" agency. Funding for the CEDC's financial assistance programs is currently derived from two special instant lottery games conducted each fiscal year by the Lottery Commission. Current statutes require that no more than 21.5% of the revenues from those games be transferred to the CEDC Fund. The recommendation will help restore the integrity of the program and strengthen the State's efforts for job creation and business investment.

### **Tourism Promotion and Economic Development – Office of Tourism**

The Executive recommendation supports over \$1.4 million during this biennium budget for marketing and tourism promotion activities. The recommended increase is consistent with the funding level approved by the voters in 2000 under Proposition 302. The increased funding will enable the State to take advantage of the growing global market and promote Arizona as a domestic and international travel and business destination, and will allow the State to compete for tourism-related economic development expenditures and investments.